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04

Performance



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4.1 Financial Capital

Revenues

Revenues⁴⁸ totaled €745.2m in 2020, a growth of €5.0m (+0.7%) vis-à-vis 2019. This evolution was underpinned by the revenue growth in Banco CTT (+30.5%) and Express & Parcels (+26.6%) business units that offset the decrease in the revenues of Mail & other (-10.8%) and Financial Services & Retail⁴⁹ (-7.1%).

Revenues

€ million

	2019	2020	Δ	Δ% 20/ 19
Revenues	740.3	745.2	5.0	0.7%
Mail & other	477.6	426.1	-51.5	-10.8%
Mail	471.3	422.9	-48.4	-10.3%
Central Structure	6.3	3.2	-3.1	-49.6%
Express & Parcels	152.4	193.0	40.6	26.6%
Banco CTT	62.9	82.1	19.2	30.5%
Financial Services & Retail	47.4	44.0	-3.3	-7.1%

⁴⁸ Excluding specific items.

⁴⁹ E In 2020 and in the same period of the previous year (proforma), the retail products and services of the Mail & other business unit are considered within the Financial Services & Retail business unit (former Financial Services business unit).

Operating Costs

Operating costs⁵⁰ amounted to €654.7m in 2020, an increase of €15.9m (+2.5%) versus 2019, with a €12.5m impact from 321 Crédito. Excluding 321 Crédito, operating costs totaled €642.2m (+1.8%).

Operating Costs

€ million

	2019	2020	Δ	Δ%
Operating costs	638.8	654.7	15.9	2.5%
Staff costs	344.1	338.6	-5.5	-1.6%
ES&S	264.7	282.5	17.9	6.8%
Other operating costs	30.0	33.6	3.5	11.8%

Staff costs declined by €5.5m (-1.6%) in 2020 compared to 2019. Excluding the effect of 321 Crédito, those costs decreased by €7.5m (-2.2%). This is mostly due to the net reduction of the personnel structure initiated in previous years, with a positive impact of -€6.1m in 2020, and due to the savings achieved in medical and healthcare costs, resulting not only from the pandemic but also from the renegotiation of the work accidents insurance contract with savings of -€2.2m.

In contrast, long-term employee benefits increased by €0.8m, mostly due to the decrease in the liability related to the “telephone subscription charge”, which took place in 2019, and the update of actuarial assumptions in the remaining benefits. Besides, overtime work costs increased by €0.4m due to the growth in the activity of Express & Parcels.

External supplies & services costs increased €17.9m (+6.8%), of which €1.6m resulted from the integration of 321 Crédito. Excluding the inorganic effect, the growth was €16.3m (+6.2%), which includes mainly the increase in direct costs (+€14.6m), namely in handling, transport and delivery costs and in costs related to temporary work (+€5.6m), in both cases mostly in the Express & Parcels growth lever. This increase was partly offset by the reduction in physical resources, commercial and after-sales costs (-€3.9m).

Other operating costs grew €3.5m (+11.8%) compared to those of 2019. Excluding the inorganic effect of 321 Crédito (+€1.0m), these costs grew by €2.5m (+8.7%), mostly due to sales costs related to new partnerships, lottery and other (+€3.9m), which were partly offset by the reduction in the remaining sales costs (-€0.5m) and the decrease in the amount of the indemnities paid to customers (-€1.5m).

EBITDA

In 4Q20, **EBITDA**⁵¹ of the Group grew by 16.4% (+€4.6m), consistently recovering from the declines of 48.2% and 9.6% in 2Q20 and 3Q20, respectively. In the full year, the Company generated an **EBITDA** of €90.5m, €11.0m less (-10.8%) than in 2019, due to the strong impact of Mail & other (-€34.0m; -43.6%) and Financial Services & Retail (-€1.4m; -6.2%). EBITDA of the remaining business units grew significantly vis-à-vis 2019 – in Banco CTT by €15.5m (+416.7%) and in Express & Parcels by €8.9m (+386.7%). In 2020, the EBITDA margin stood at 12.1% (13.7% in 2019), while in 4Q20 it was 15.6% – the best in the last 15 quarters.

⁵⁰ Excluding depreciation / amortization, impairments and provisions, the impact of IFRS 16 and specific items.

⁵¹ Excluding depreciation / amortization, impairments and provisions, the impact of IFRS 16 and specific items.

EBITDA by business unit

€ million

	4Q19	4Q20	Δ	Δ%	2019	2020	Δ	Δ%
EBITDA	28.2	32.8	4.6	16.4%	101.5	90.5	-11.0	-10.8%
Mail & other	19.0	16.4	-2.5	-13.4%	78.0	44.0	-34.0	-43.6%
Mail	30.6	25.4	-5.2	-17.0%	120.6	85.5	-35.2	-29.2%
Central Structure	-11.6	-9.0	2.6	22.7%	-42.6	-41.4	1.2	2.8%
Express & Parcels	-0.6	5.6	6.2	966.3%	-2.3	6.6	8.9	386.7%
Banco CTT	3.4	6.5	3.1	92.7%	3.7	19.2	15.5	416.7%
Financial Services & Retail	6.5	4.3	-2.2	-33.8%	22.1	20.7	-1.4	-6.2%

Specific Items

In 2020, the Company recorded **specific items** in the amount of

Specific Items

€ million

	2019	2020	Δ	Δ%
Specific items	18.2	7.0	-11.2	-61.7%
Corporate restructuring costs and strategic projects	16.9	4.2	-12.6	-74.9%
Other non- recurring revenues and costs	1.4	2.8	1.4	101.3%

€7.0m, broken down as shown in the table below:

The decline of €12.6m in corporate restructuring and strategic projects is mostly related to spending on (i) compensations paid for termination of employment contracts by mutual agreement and suspension agreements (-€7.9m) within the Human Resources Optimization Program, and consulting services (-€1.6m), both under the Operational Transformation Plan; (ii) fees related to the acquisition of 321 Crédito (-€1.4m); and (iii) the implementation of the changes to the Quality of Service Indicators measurement system required by ANACOM (-€1.0m).

In 2020, specific items for an amount of €7.0m relate to (i) corporate restructuring for €3.3m (-€8.6m vs. the same period of the previous year); (ii) strategic projects for €0.9m (-€4.0m), mainly studies to support the renegotiation of the new concession agreement; and (iii) other revenues and costs for €2.8m (+€1.4m),

especially the price penalty imposed by ANACOM (+€1.0m) for failure to comply with the 2019 Quality of Service Indicators, costs associated with the COVID-19 pandemic, particularly personal protection equipment, nebulization, temperature measurement, and extra cleaning services (+€1.1m), and payment of an extraordinary bonus to employees who during the confinement period were permanently at the forefront, with enormous professionalism and total commitment to their job (+€0.5m).

EBIT and Net Profit

EBIT grew by 32.1% in 4Q20 (+€4.2m), amounting to €34.5m in the full year 2020, €12.8m below (-27.0%) that recorded in 2019, strongly penalized by the decrease in EBITDA (-€11.0m), the growth in impairments and provisions (+€6.7m) and in depreciation/amortization (+€7.9m), which did not offset the decrease in specific items (-€11.2m).

EBIT by business unit

€ million

	2019	2020	Δ	Δ%
EBIT	47.3	34.5	-12.8	-27.0%
Mail & other	42.9	9.9	-32.9	-76.8%
Mail	98.6	66.4	-32.2	-32.6%
Central Structure	-55.7	-56.5	-0.7	-1.3%
Express & Parcels	-12.1	-0.5	11.6	95.9%
Banco CTT	-4.9	4.6	9.5	193.1%
Financial Services & Retail	21.5	20.5	-1.0	-4.5%

The consolidated **financial results** totaled -€11.4m, corresponding to an improvement of €0.4m (3.2%) compared to 2019.

Financial Results

€ million

	2019	2020	Δ	Δ%
Financial results	-11.8	-11.4	0.4	3.2%
Financial income, net	-10.4	-9.6	0.7	6.9%
Financial costs and losses	-10.4	-9.7	0.8	7.3%
Financial income	0.1	0.02	-0.04	-68.4%
Gains / losses in subsidiaries, associated companies and joint ventures	-1.4	-1.7	-0.3	-24.3%

Financial costs and losses incurred amounted to €9.7m, mainly incorporating financial costs related to postemployment and long-term employee benefits of €4.5m, interest associated with financing leases liabilities linked to the implementation of IFRS 16 for an amount of €3.3m, and interest on the financial debt for an amount of €1.7m.

In 2020, CTT obtained a consolidated **net profit** attributable to CTT Group equity holders of €16.7m, €12.5m below (-42.9%) that obtained in the previous year, strongly impacted by the negative evolution of EBIT (-€12.8m).

Investment

Capex stood at €33.4m, corresponding to 26.4% less (-€12.0m) than in 2019.

The financial effort made in an economic environment strongly impacted by the pandemic continued to focus on the growth businesses, namely Express & Parcels (+€10.7m) and Banco CTT (+€6.3m), in order to improve and optimize the systems that support their activity. This amount was offset by initiatives to reduce investment in IT in the remaining business units (-€7.4m) and in sorting equipment in the Mail business unit (-€8.4m) due the strong investment in this area in 2019.

Cash flow

In 2020, the Company generated an operating **cash flow** of €42.9m, €1.6m less than in 2019.

Cash flow € million

	2019	2020	Δ
EBITDA	101.5	90.5	-11.0
Specific items*	16.8	7.0	-9.9
CAPEX	45.4	33.4	-12.0
Δ Working capital	5.3	-7.2	-12.5
Operating cash flow	44.5	42.9	-1.6
Employee benefits	-14.4	-12.1	2.3
Tax	2.2	-9.0	-11.2
Free cash flow	32.3	21.8	-10.5
Debt (principal + interest)	59.3	-1.5	-60.9
Dividends	-15.0	0.0	15.0
Financial investments	-114.4	-0.3	114.1
Net change in organic own cash	-37.7	20.0	57.8
Changes to consolidation perimeter - 321Crédito	6.8	0.0	-6.8
Change in own cash	-30.9	20.0	51.0
Δ Liabilities related to Financial Services & other & Banco CTT, net ⁵²	30.9	63.9	33.0
Δ Other ⁵³	20.3	-8.8	-29.0
Net change in cash (Balance Sheet)	20.3	75.2	54.9

*Specific items affecting EBITDA.

The negative change in working capital compared to 2019 (–€12.5m) resulted mainly from the high investment at the end of 2019 (€27.0m in 4Q19), which was paid mainly in 1H20 and compares to a lower investment at the end of the year (€15.2m in 4Q20) leading to a negative evolution in working capital related to Capex in the amount of €20.6m in 2020 versus 2019. This change was partially compensated by a positive evolution of working capital related to the current business, with a strong contribution from a more effective management of accounts receivable (+€7.6m) and accounts payable (+€2.0m).

Consolidated Balance Sheet € million

	31.12.2019	31.12.2020	Δ	Δ%
Non-current assets	1,734.7	1,984.3	249.6	14.4%
Current assets	778.8	910.6	131.8	16.9%
Assets	2,513.4	2,894.9	381.5	15.2%
Equity	131.4	150.3	18.9	14.4%
Liabilities	2,382.0	2,744.6	362.6	15.2%
Non-current liabilities	512.8	493.4	-19.4	-3.8%
Current liabilities	1,869.2	2,251.2	382.0	20.4%
Equity and Liabilities	2,513.4	2,894.9	381.5	15.2%

The key aspects of the comparison between the **balance sheet** as of 31.12.2020 and that as of 31.12.2019 are as follows:

• **Assets** increased €381.5m, mostly due to the increases in Tangible fixed assets (+€31.5m) as a result of the increase in Rights of Use related to the extension of lease contract maturity terms, in Credit to banking clients (+€207.5m), especially mortgage loans, in Debt securities (+€61.4m), and in Cash & cash equivalents (+€75.2m), following the significant increase in new deposits in Banco CTT.

• **Equity** increased €18.9m following the generation of net income attributable to equity holders of CTT Group in 2020 for an amount of €16.7m and the increase in Other changes in equity (+€2.1m) as a result of actuarial gains recognized within CTT Healthcare Plan.

• **Liabilities** increased €362.6m, with emphasis on the increase in Banking clients' deposits and other loans (+€367.0m) and the increase in Debt (+€31.5m) following the extension of lease contracts maturity terms, partially compensated by the decrease in Other banking financial liabilities (–€28.1m) and Income taxes payable (–€4.6m)

The CTT Group consolidated balance sheet excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

Consolidated Balance Sheet excluding Banco CTT € million

	31.12.2019	31.12.2020	Δ	Δ%
Non-current assets	615.8	638.8	23.0	3.7%
Current assets	456.9	484.0	27.1	5.9%
Assets	1,072.8	1,122.8	50.1	4.7%
Equity	131.4	150.3	18.9	14.4%
Liabilities	941.3	972.5	31.2	3.3%
Non-current liabilities	432.0	444.0	12.0	2.8%
Current liabilities	509.3	528.5	19.2	3.8%
Equity and Liabilities	1,072.8	1,122.8	50.1	4.7%

⁵² The change in net liabilities of Financial Services and Banco CTT reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities/banking financial assets, of entities of the CTT Group providing financial services, namely the financial services of CTT, Payshop, Banco CTT and 321 Crédito.

⁵³ The change in other cash items reflects the evolution of Banco CTT's sight deposits at Bank of Portugal, outstanding cheques/clearing of Banco CTT cheques, and impairment of sight and term deposits and bank applications.

In 2020, the **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €283.0m, down €3.7m compared to December 2019, broken down as specified in the table below:

Liabilities related to employee benefits € million

	31.12.2019	31.12.2020	Δ	%
Total liabilities	286.7	283.0	-3.7	-1.3%
Healthcare	274.4	271.2	-3.3	-1.2%
Healthcare (321 Crédito)	1.3	1.4	0.1	11.4%
Suspension agreements	3.1	2.8	-0.4	-12.1%
Other long- term employee benefits	7.1	6.9	-0.2	-2.8%
Other long- term benefits (321 Crédito)	0.2	0.2	0.0	9.1%
Pension plan	0.4	0.3	-0.1	-19.3%
Other benefits	0.1	0.2	0.1	42.1%

The reduction in CTT, SA healthcare liabilities derives mostly from the introduction of a stop-loss mechanism in 2020 combined with the effect of the lower utilization of healthcare services due to the COVID-19 pandemic. These effects were partly compensated by the reduction in the discount rate.

Consolidated net debt

Consolidated net debt € million

	31.12.2019	31.12.2020	Δ
Net debt	60.0	71.4	11.4
Short-term & long-term debt	175.4	206.9	31.5
of which financial leases (IFRS 16)	84.0	115.2	31.3
Own cash (I+II)	115.4	135.4	20.0
Cash & cash equivalents	443.0	518.2	75.2
Cash & cash equivalents at the end of the period (I)	414.9	498.8	84.0
Other cash items	28.1	19.4	-8.8
Financial Services payables, net (II)	-299.5	-363.4	-63.9

The key aspects of the comparison between the **consolidated net debt** as of 31.12.2020 and that as of 31.12.2019 are as follows:

• **Own cash** increased by €20.0m, as the positive evolution of operating cash flow (+€42.9m) more than offset the payment of employee benefits (-€12.1m), taxes (-€9.0m), and debt service (-€1.5m).

• **Short-term & long-term debt** increased by €31.5m mainly due to the increase in the liabilities related to lease contracts in the scope of IFRS 16 (+€31.3m), following the revision of the terms

of those contracts. This review of lease terms was carried out by the CTT Group following a recent interpretation of the IFRS Interpretations Committee on the concept of lease term, which essentially determines that an entity should assess whether the contract is enforceable beyond the period in which it can be cancelled, taking into account not only the strict terms of the contract, but also its broader economic aspects.

CTT Group net debt excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

Consolidated net debt excluding Banco CTT € million

	31.12.2019	31.12.2020	Δ
Net debt with Banco CTT under equity method	144.1	153.9	9.8
Short-term & long-term debt	173.2	204.7	31.5
of which financial leases (IFRS 16)	81.8	113.0	31.3
Own cash (I+II)	29.1	50.8	21.7
Cash & cash equivalents	268.2	286.4	18.3
Cash & cash equivalents at the end of the period (I)	268.2	286.5	18.3
Other cash items	-0.02	-0.02	0.0
Financial Services payables, net (II)	-239.1	-235.7	3.5

Economic value

The Company distributed over 342 million euros in wages and benefits, it remunerates its shareholders, is an important taxpayer and invests in the community.

Direct economic value generated and distributed by CTT

€ thousand	2019	2020	Δ 2020/2019
Direct economic value generated	738,949	743,519	0.6%
Revenues	738,949	743,519	0.6%
Direct economic value distributed	727,889	726,752	-0.2%
Operating costs	336,467	364,641	8.4%
Wages and Employee benefits	356,004	342,488	-3.8%
Payments to providers of capital	25,421	9,660	-62.0%
Payments to the Government	8,979	9,080	1.1%
Community investments	1,018	883	-13.3%
Accumulated economic value	11,060	16,767	51.6%

4.2 Human Capital

The management of human resources is guided by the following priorities: definition and implementation of policies for human capital development that enable boosting skills, awarding performance and fostering the agility of the organization; maintenance of a good social environment; continuous investment in training and qualification; optimization and adjustment of the staff, taking into account the need to respond to market evolution and challenges.

Headcount

	31.12.2019	31.12.2020	Δ 2020/2019	
Mail & other	10,709	10,445	-264	-2.5%
Express & Parcels	1,201	1,319	118	9.8%
Banco CTT	406	435	29	7.1%
Financial Services & Retail	39	35	-4	-10.3%
Total, of which:	12,355	12,234	-121	-1.0%
Permanent	10,979	10,767	-212	-1.9%
Fixed- term contracts	1,376	1,467	91	6.6%
Portugal	11,874	11,671	-203	-1.7%
Other geographies	481	563	82	17.0%

The overall rate of absenteeism increased both at CTT, S.A. (+1.8 p.p.) to 8.8%, and in CTT Group to 8.3% (+1.7 p.p.). The motives that most contributed to these absences were illness (4.6%), absenteeism due to COVID-19 (0.7%), accidents (0.8%), union activity (0.4%) and maternity/paternity (0.5%). It should be noted that the absenteeism rate, excluding parental leave, stood at 7.8%. The absenteeism rate calculated in conformity with Global Reporting Initiative (GRI) guidelines (excluding parental leave, compassionate leave and leave related to student status) is 6.3%. The rate of return to work after parental leave was 90.9%.

4.2.2 Remuneration

Following a swift negotiation process, on 25 November, the company CTT Expresso and 6 union associations – representing more than 93% of the employees who are union members – reached its first Company Agreement.

The successful completion of this bargaining process related to the first Company Agreement of CTT Expresso represents the beginning of a stage with people management policies aligned with the new strategy for People and Culture, contributing to the full development of the Company's activity, its affirmation as a leader in the market in which it op-

4.2.1 Characterization of human capital

As of 31 December 2020⁵⁴, the **CTT headcount** (permanent and fixed-term staff) consisted of 12,234 employees, corresponding to 121 less (-1.0%) than as of 31 December 2019. The number of employees leaving 2,000 was and 2,775 new employees joined the Company, a turnover rate of 16.3%.

erates, both in the economic and social dimension, and to a better service experience among its customers.

This Agreement takes into account the importance given to an environment of stability and social peace at the Company, which is the purpose of CTT, aimed at valuing the work factor and establishing the principles and rules on matters of professional classification, remuneration and career progress. This Agreement defined the Company's commitment to initiate the salary review process for 2021.

In conformity with the principles of the labor legislation, there is no difference in the attribution of the basic wage of men and women. However, during career progression, for various motives, differences in the average remuneration have occurred historically, within each professional category, which have been more favorable to men, as can be seen in the following table.

Ratios and remunerations, by gender and professional category

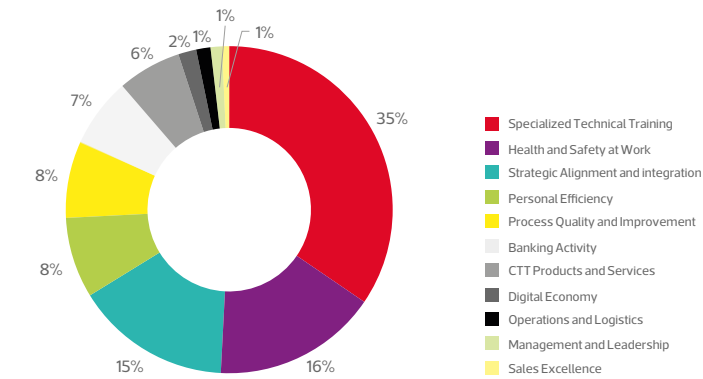
Professional category	Average female salary (€)	Average male salary (€)	F/M Ratio
Senior personnel	1,995.48	2,418.20	0.83
Middle management	1,332.11	1,377.08	0.97
Counter service	1,067.59	1,140.91	0.94
Delivery	823.34	897.49	0.92
Other groups	969.93	1,005.75	0.96
Total	1,165.56	1,092.92	1.07

4.2.3 Career development and talent management

The Company Agreement establishes the objective and professional content for each qualification level and professional category. The criteria for career progression and professional evolution are also defined, based on the principles of recognition, merit and performance, acquisition and increase of skills, with emphasis of each employee's dedication, effort towards development and contribution to the value chain.

CTT has pursued action aimed at retaining suitable skills and high motivation levels, able to accompany its business innovation and evolution requirements. Concerning talent management, CTT considers actions for both the attraction and recruitment on the market of new know-how and skills, and the development of the existing technical staff and managers

In this regard, CTT proceeded with the 4th edition of the Trainee Program 2019/21 – “Everything you need to start”, which involved 12 trainees. This program seeks to attract and retain high-potential young people, promote their development within a structured overall program, contribute to the rejuvenation of staff, foster a mobility culture and position CTT as an Employer of first choice.



The performance assessment process is carried out annually, in the year following the year to which it refers, covering all the permanent employees with a contract of six months or more who are not in a situation of unpaid leave or suspended contract. This year, relative to the performance of 2019, this involved 9,901 employees, corresponding to the total eligible number.

The performance management system is based on the assessment of behaviors and the achievement of objectives, established for the employees, according to the various activities and functional groups, with a view to reinforcing the alignment between the business and performance, the consolidation of the corporate culture and values, and the recognition and differentiation of the contributions. This process involves communication between the senior staff and the employees, including the summing up of the activity and the presentation of the objectives for the new cycle, favoring the identification of training actions and development.

4.2.4 Training

During the year, in the whole of the CTT Group, 98% of CTT employees participated in training actions⁵⁵, involving a total of 187k hours, with an average of 15 hours *per capita*, and a training rate of 0.9% (hours of training/hours of work). The training hours are distributed over eleven programs, as shown in the graph below.

⁵⁴For further information, see Table – Employees in Annex III.

⁵⁵For further information, see Table – Employees in Annex III.

Due to the COVID-19 pandemic, the overall outcome in terms of training and development was reflected in a 25% decrease of the volume of hours carried out. However, in terms of participations, this decrease was only 2%, reflecting the widespread trend of reduction of the duration of each training event.

The effort that CTT had already been making in providing distance training proved to be a powerful ally in maintaining the skills development activity of its employees, accounting for 53% of the volume carried out. Moreover, this was the means of dissemination used to raise the awareness, call for and support the preventive measures to be adopted in the pandemic context, both at the workplaces and in telework, involving more than 6,800 participations. In addition to the asynchronous offer, the use of collaborative platforms – like MS TEAMS – enabled the accomplishment of the majority of the training events.

Significant focus was given to the training in certification of the professionals of the specific post offices selling insurance products, pursuant to the legal system established in Law No. 7/2019 and subsequent regulations issued by the Insurance and Pension Funds Supervisory Authority (ASF). This involved 1,705 employees during 42,580 hours.

The teams of these post offices were also provided with other training programs, in particular:

- Knowledge of the offer sold in the B2C segment (in surance, saving, investment, payments, express, retail, etc.), with 4,270 participations and 9,832 hours;
- Initial bank training (general bank operations and offer, procedures and credit), with 492 participations and 9,002 hours;
- Prevention of Money Laundering and Terrorist Financing, with 981 participations and 3,611 hours;
- Certification in Euro Coins and Banknotes, with 450 participations and 900 hours;

The launch of new post offices in Lameações, Sete Rios and Picoas, with an innovative concept, was also supported by a specific training program focused on improving the customer's experience in the post office.

In the B2C segment, we highlight the training for the employees of CTT points, which has already involved seven distance learning courses: CTT Code of Conduct, Mail and parcel offer, CTT Express offer, Acceptance and delivery of express mail, Easy return, Orion service – customer support portal and NAVE System, in addition to the courses disseminated by the Sales Managers of External Channels, of Initial Training, General Data Protection Regulation, Certification and refresh in Products, services and procedures. More than 1,200 points were

covered, involving over 2k participations and over 7k hours.

In the B2B segment, excellence was pursued in marketing the CTT Offer, in particular of the business, cargo, logistics and payment solutions, with more than 900 participations and over 1,900 hours. Fourteen new Sales Managers were also integrated with a program for the development of skills related to sales and management of the commercial agenda.

Due to the COVID-19 pandemic, no training was given in eco-efficient driving in its usual format, in other words, there was no face-to-face training. However, the Road Prevention Program was maintained, which seeks to reduce the road accident rate at CTT, having addressed more than 20 topics, such as new road signs and signals, weather conditions, ecoefficiency, safety, preventive maintenance, among others, and involved 13,402 hours of training and more than 26k participations. Particular note should also be made of the onboarding and integration training given to 780 new employees, covering more than 17k hours, and the insourcing of the ministration of training in the mechanical movement of loads, with the certification of a group of 12 trainers who have already provided a further 78 employees with this training, involving a volume of 296 hours.

Continuing the digital transformation of the activity, the ORION Program covered more than 3,500 participants (>12,000 hours) on the Customer Relationship Management (CRM) platform and on the supporting portal. Training was conducted on various platforms supporting the activity (Hubspot, Nexbitt, Work Force Management, etc.) involving a total of 188 participations and more than 1,000 hours.

In a year in which this has become particularly important – among other things, due to the migration to ISO 45001 standard – training in Occupational Health and Safety surpassed 3,400 participations and 8,500 hours.

In addition to the necessary training offer for effective job performance and for fostering the individual development of each employee, the systematization of a program to support the self-development of skills was started, through the provision of a specific platform with opportunities to carry out certified modular training and other self-study resources.

In order to ensure the follow-up of the business transformation, of the people and culture at the Company, the Training and Development at CTT initiated a new organizational logic, consisting of a CTT Academy characterized by:

- Building a relationship of strategic partnership with the business units, appointing a Learning Business Partner for the B2C and B2B segments and Areas of Operations;
- Focusing on four strategic vectors of develop-

ment: Customer experience, Operational excellence, Culture and Leadership, Diversity and Ethics;

- Promoting development in five crucial areas of competence: Corporate, People and Culture, Business, Innovation and Sustainability;
- Establishing development programs arising from the matrix of strategic vectors of action and crucial competences to be developed, starting with those that most affect the daily work of the employees at CTT, Onboarding and Integration, with Customer experience in the Post Office, Operational Access Points, B2B Commercial Excellence, Leadership and Lean Management also having been identified;
- Boosting, as routes to development, the predefinition of programs according to the function and needs of improvement, but also the self-development of skills at the initiative of the employees.

4.2.5 Management of labor relations

The employees have a communication channel with management, through the various representative bodies. The Workers Committee and 111 Workers Sub-committees perform their legally attributed duties. CTT maintains permanent contact with the Workers Committee, through monthly meetings, at the highest level and specific meetings, whenever necessary, both with the Workers Committee and each of the unions.

As of 31 December 2020, 89.7%⁵⁶ of the employees were covered by the Company Agreement and 73.6%⁵⁶ were union members (permanent and on fixed term), reflecting a decrease of 0.7 p.p. and 0.3 p.p. in relation to the previous year, respectively.

In the European context, the company maintained its participation in the European Social Dialogue Committee for the Postal Sector, which involves representatives of the unions and postal operators of the European Union.

4.2.6 Social benefits and social action

Regulations for Social Work (ROS) have been in force since 2015, regulating CTT's health plan, in contributions to the cost of medication, medical and surgical services and auxiliary diagnostic means, nursing services and hospitalization, in benefits for family expenses for subscribers of Caixa Geral de Aposentações (CGA), attributing child and youth benefit, as well as other allowances.

Health benefits are assured to permanent staff, pre-retired and retired employees and their family under certain conditions, provided that they are members of the scheme. As a rule, employees of CTT's subsidiaries benefit from health insurance

which enables coverage of their household members.

In the health plan's agreed network, the company covers 75% of health care costs related to outpatient assistance, 80% of private hospital services and 100% in special cases (support to maternity, infant care up until 2 years and serious illness). The contribution to medication costs implies that up to 50% is incurred by the beneficiary.

In order to ensure social support, the company has a Social Service team, that offers psychosocial support in the areas of mental health, addiction, the elderly and social action. This support is embodied in the identification, assessment, framing and problem-solving of the beneficiaries and employees of the CTT Health Plan in the most diverse areas, in particular regarding disability, chronic, acute and/or serious disorders, economic deprivation, social dysfunctions, work-related issues, among others. Socioeconomic study and case-by-case analysis can give rise to specific support to overcome situations of vulnerability and/or economic deprivation.

In this year of COVID-19 pandemic, the Social Service included an Employee Helpline to answer questions related to the pandemic and their legal frameworks, also offering the possibility of medical assistance through telehealth appointments, a significant alternative during lockdown periods.

At the end of the year, CTT's health plan had 38,781 beneficiaries, of which 19,592 were former or current employees (with 9,396 being active); 19,189 family members (with 12,836 being active). There were 730 special rescissions (employees and family members).

4.2.7 Occupational health and safety

The Occupational Health services were provided by Viva Mais. During this period, 4,101 medical tests were carried out, 45.1% less than in the same period of the previous year, due to the pandemic.

A total of 318 interventions were carried out to assess working and risk conditions at CTT establishments, including subsidiaries.

The awareness-raising actions on occupational safety, accident prevention and ergonomics were continued at the postal delivery offices and CTT post offices.

There were 805 work-related accidents and incidents, 25.5% less than in 2019. A very positive difference that occurred as a result of the atypical year that was experienced, and due to the contingency measures implemented by the company: reduction of CTT post office opening hours; telework of the staff of the central services; reduction of employee working hours at sorting centers. This situation was reflected in lower exposure to occu-

⁵⁶ Excludes Corre and CTT Express Spain.

pational risk during a significant period.

Likewise, there was also a 24.6% reduction in the number of road accidents, despite factors such as: absence of employees working in the delivery service due to isolation or quarantine, and consequent increased shifts in delivery routes done by colleagues. The substantial increase of the number of EMS deliveries and the increased number of kilometers travelled enhanced the risk of accidents due to travel by motorcycles of heavier weight and volume. Thus, there was an increase of the number

of days lost due to accidents, in relation to the previous year, indicating the higher severity of some accidents. However, in overall terms, the number of days lost declined by 19.6%, as a result of the strengthening of prevention and the adoption of more cautious attitudes by the employees.

The motives that most contributed to the occurrence of accidents were road accidents (34.7%), which include traffic accidents and people being run over. This was followed by false movements (16%), 3% more than in 2019 and slipping/stumble (15%). Occupational diseases were not reflected in days lost.

Accidents and injuries at CTT

Group	No. of accidents	No. of injuries	Injury rate	No. of days lost	Rate of days lost	Number of occupational diseases
Female	205	138	2.2	5,245	83.5	4
Male	600	439	3.4	14,319	111.2	3
Total	805	577	3.0	19,564	102.1	7

No data for 321 Crédito, CORRE and CTT Express Spain.
In the calculation of the rates, the result was multiplied by 100,000, for easier reading, otherwise the results would be around 0.00.

Concerning safety, the contingency scenario experienced due to the COVID-19 pandemic, with the reduction of post office opening hours and increased payment of postal money orders sent to the residence or place of business, implied the reinforcement and surveillance of our facilities and the distance monitoring and follow-up of deliveries to prevent disputes and robbery.

4.2.8 Diversity and equal opportunities

The company guides its action by respect for the guarantees and rights stipulated in the Universal Declaration of Human Rights of the United Nations, the Charter of Fundamental Rights of the European Union, the Constitution of the Portuguese Republic and the Law, in particular in the labor legislation.

During this year, in the pandemic context, CTT focused primarily on ensuring that all its employees felt safe. A Crisis Management Committee was created to ensure CTT's continuity and contingency plan, and to guarantee the appropriate information and support, promoting measures to mitigate the main risks and always preserving the integrity of its employees. One of the measures involved the implementation of telework in all services in which this proved possible.

On matters of human resources policies directed towards the promotion of equality, the following are highlighted:

- Commitment to develop policies aimed at equal opportunities in recruitment, professional career, promotions and vocational training;

- Renewal of CTT's endorsement agreement of the Business Forum for Gender Equality (IGEN), of which CTT is a founding member, promoted by the Commission for Equality in Labor and Employment (CITE), undertaking new commitments on matters of wage differences. Participation in work meetings at the beginning of the year with the Commission for Equality in Labor and Employment (CITE), although the programed activities were suspended due to the COVID-19 pandemic.

- Creation of a working party for compliance with the commitments stipulated in the company's Gender Equality Action Plan.

The protocol has been maintained with Lisbon CERIC (Cooperative for the Education and Rehabilitation of Nonadapted Citizens), which provides experiences of integration in employment to young people who are disabled, which involved 14 young adults. This CTT/CERIC partnership is a success case, which already has 17 years of experience. The provision of services was suspended in March, in view of the current pandemic context.

The employees and their families were encouraged to participate in inhouse games and were challenged to write an account of their experiences at the company. Throughout the lockdown period, they received a great deal of information about prevention and advice for management of work and family. The "I am CTT" program of partnerships with various entities continued to be boosted, offering discount prices and entertainment opportunities to employees and their families. The magazine Revista CTT continuously published articles of interest on nutrition and healthcare.

On matters of diversity, the Board of Directors achieved the target established in the CTT Gender Equality Plan and in Law No. 62/2017, with 33.3% of the members of the Board of Directors and Audit Committee now being women. The weight of women in senior management positions (1st line leadership) increased by 0.4 p.p. to 20.4% and in 2nd line leadership positions decreased by 2 p.p. to 47%.

4.3 Intellectual Capital

Digital transformations that continue to permeate all organizations also forced CTT to adapt its activity to new paradigms. Thus, these transformations inspired a series of R&D achievements at the Company, namely:

- Reinforcement of the Mail business:

- Creation of the "Delivery information" service or Domestic Ordinary Bulk Mail (Zones A and B), up to 50gr. These items have a barcode with information on the achieved or non-achieved delivery and indication of the reasons for non-delivery;

- Launch of yet another innovative philatelic issue: aromatic stamps, where their production process incorporates an aroma of orange blossom, which remains active for a long time.

- Stimulation of e-commerce:

- Provision of national Parcel Lockers of the brand CTT Parce-rias to boost the e-commerce business with: LIDL (provision of the Lockers24h service), UBER (enabling the expansion of the CTT Now/Express for Today for Cities service in which CTT did not formerly operate), Mar Shopping and CGD, among others; OLX (Online deliveries solution, in a new product doortodoor delivery service format); and AliExpress (associated to Singles Day, 11.11, via promotion of purchases in this marketplace and deliveries in Portugal by CTT.

- Encouragement of the launch of the services: online stores were easily created for national SME to sell their products), CTT Local Trade (digital service, supported by an app, to facilitate the online presence of local traders and small producers) and trade of small producers in articulation with Marketplace Dott (e.g., Digital Fairs of Protected Designation of Origin Cheese and Products of Viseu Dão Lafões). Launch of CTT shipping plug-ins which shall enable customers to dispatch, in an integrated manner, products sold online from stores created under Prestashop, Shopify, Magento and Woocommerce.

- Organization of CTT eCommerce Moments and eCommerce Day events, in which the most important current affairs are discussed in the areas of e-commerce, with the participation of specialists.

- Strengthening of operational aspects:

- Upgrading of the address reading machines (OCR-RMS): improvements in the recognition of handwritten characters, aimed at higher quality and reliability in the system's decisions, with a 10% average increase in the Optical Character Recognition (OCR) recognition rate.

- In the Retail Network:

- Implementation of the new post office concept focused on greater convenience for the customer through self-service areas which enable receiving and purchasing retail products and the provision of devices for access to new CTT functionalities and portfolio.

- Implementation of an "in-store customer" hearing solution, through a QR Code available at various points of access in the store to a page to collect Net Promoter Scores (NPS).

- In the financial area, especially at Banco CTT:

- Developments for the launch of a new platform to enable customers to invest, supported by a robot-advisory platform, via the digital channels.

- New Prepaid School Account, in partnership with Edu-box, to simplify the interaction between Municipalities and Schools. This is a digital wallet that enables paying for school services (meals, stationary, etc.), integrated with the EduBox SIGA school management system.

- The strengthening of Payshop partnerships led to attaining the historical milestone of 5,133 Agents, reinforcing its positioning of Largest Network of Face-to-Face Payments in the country.

- Payshop partnership with EPAY with expansion of the offer of prepaid products in the Payshop Agents Network (e.g., Rakuten Kobo, which enables buying millions of digital books online, and with Spotify Premium that enables subscriptions of the music streaming service).

- Corporate initiatives:

- INOV +: new platform for management of ideas. Launch of the 9th inhouse cycle of challenges;

- Fomento I&D (Foster R&D): preparation of CTT and Banco CTT applications to the SIFIDE (Business R&D Tax Incentive) program;

- First inhouse edition of the CTT Innovation Awards for

the categories: solutions, products & services, internal transformation, and environmental and social impact;

- 1520 CTT StartuProgram: a newsletter that seeks to communicate and capture solutions aligned with the company's goals and strategy, and raise expressions of interest that could lead to partnerships (startups).

- Holding of the 13th edition of the Innovation Forum and the 4th edition of the Innovation Award, of PostEurop, whose working party is chaired by CTT.

4.4 Social Capital

CTT's activity has a positive social impact on the local communities, as the company fosters a service of proximity, of quality, to all citizens, all over the country, confirmed by the relatively high perception of indicators on reputation.

CTT's social and environmental patronage policy has given priority to the issues of poverty and social exclusion, culture, language, sports for the disabled, health, solidarity, biodiversity, and innovation. During this year of pandemic, the company especially supported initiatives that benefit the community and groups that are deprived or at risk in terms of inclusion, good health, and well-being, while not neglecting biodiversity with an investment of close to €0.9m. Voluntary work actions were organized at the beginning of the year, aimed at making a difference through the presence of the employees, but which had to be suspended due to the COVID19 pandemic.

Some of these initiatives of social and environmental investments accomplished during this year are highlighted below:

Concerning **solidarity**, CTT donated five computers to the youth association "Nasce e Renasce" to support their computer needs and sent 2,000 community masks produced from scarves of the national team in stock at the Portuguese Football Federation (FPF), with the revenue having been allocated to the Emergency Food Network. CTT supported delivery and logistics of the platform created by Galp and the FPF, enabling direct donations through the purchase of baskets or products required by each institution - "Christmas Energy" Movement to support the Emergency Food Network, the Baby Bank, Vida Norte (North Life) and UPPA (Union for Protection of Animals).

Having reached the 15th year of consecutive support to Fenacerci in raising funds via the sale of Magic GlowWorms at CTT post offices, this year, CTT was unable to carry out their sale due to the restrictions imposed by the pandemic.

However, CTT supported the Portuguese Red Cross, with the campaign "I help those who help", to raise funds for the purchase of personal protective equipment and food items. For

each personalized postcard, €0.50 is donated to the Portuguese Red Cross movement. This action aimed to draw generations closer together, shorten distances and thank the front-line teams in the fight against the pandemic. The value donated to the Portuguese Red Cross was €751.50. CTT also joined forces with NOS to support the "Coração Amarelo" Association with the free sending of the Little Bear Present by green mail, and the XXS-XXL Campaign of the Portuguese Association of Support to Premature Babies.

Payshop continued its protocols of support to Private Social Solidarity Institutions, having raised donations for them of the value of €2,384. CTT Express Spain once again sponsored the organization Save the Children.

Social integration was promoted, through the offer of free postage to the shelter Refúgio Aboim Ascensão, and the Solidarity Father Christmas action was organized for the 11th consecutive year, having attracted "sponsors" for children in socially deprived situations. 1,365 presents were sent to children, up to 12 years old, who had sent letters from 43 Social Solidarity Institutions that care for these children. The letters were published on www.painataisolidario.pt/, enabling anyone to sponsor them and make these dreams come true. The presents were sent free of charge, always safeguarding the anonymity of the sponsor and the children. Since 2009, through this initiative, CTT, with the help of the Portuguese, has already delivered more than 13,000 presents to deprived children.

CTT has annually answered an average of 100k letters written by many children all over the country, addressed to Father Christmas. From 1985, the "CTT Father Christmas" initiative started to answer all the letters, in addition to sending a small gift.

There were no events sponsored in the area of **health and sports**. Likewise, it was not possible to organize the usual blood donations at the CTT building with the Portuguese Institute of Blood and Transplantation (IPST).

For the preservation of the **environment and biodiversity**, we continued to sponsor the Iberian Lynx at Lisbon Zoo and joined the European Mobility Week.

In partnership with Quercus, the 7th edition of the project "A Tree for the Forest" was launched, once again appealing to the population to buy the kits, aimed at national re-afforestation. These kits are on sale at CTT post offices and the online store, with free postage. In the spring of 2020, it was not possible to plant 8,000 trees that accumulated with those of 2020. The milestone of the sale of 100k kits was reached by the end of the year, corresponding to the same number of indigenous trees planted through this project. CTT hopes that it will soon be possible to plant these trees with the support of hundreds of external volunteers and companies that have joined this cause. A competi-

tion was also launched in the magazine Revista CTT, allusive to this project, with kits worth one tree having been offered to the winners.

Concerning **assistance to development**, the company supports the Campus of the Nova School of Business and Economics, the Order of Malta and the Serralves Foundation.

In order to encourage writing, the Portuguese Communications Foundation launched the 50th international competition of the Universal Postal Union "The Best Letter" among young people resident in Portugal. This year's topic was "Write a message to an adult about the world we live in". The three final prizes are awarded by this UN body. The letter that represented Portugal in the international competition was of the 9 to 11-year-old bracket. The three awards were given to Belarus, Macedonia and Vietnam.

The focus on **voluntary work** continued at the beginning of the year, but these actions had to be suspended. Only 6 initiatives had been carried out by March, involving 110 volunteers and their families, and a total of 413 hours. The rule continued in force which allows the volunteers to participate in ongoing initiatives in the voluntary work plan, with their time assigned by the company for up to 16 hours, per year, per employee. Moreover, seven years ago we introduced long-term voluntary work with specific rules, associated to the particularities of each project.

Despite the restrictions, the EPIS/CTT Mentoring Voluntary program continued. The 3rd three-year edition was launched with CTT volunteers and tutors to support young people with difficulties at school. This is a continuous voluntary action that requires proximity but has been transferred to digital means. The role of the mentor is to ensure close monitoring and the establishment of a good relationship so as to be able to motivate and stimulate each young person to develop her/his human and academic potential, convey attitudes and values, strengthen the young person's self-esteem and social integration, empowering her/him to construct a positive life project. CTT offered computers to some of these students to enable them to follow distance learning.

The ongoing voluntary actions at the League of Friends of Hospital de Santa Maria, of the street teams of the Vitae Association and at the Zoo, which require physical presence, had to be suspended from March 2020 onwards.

Customer Satisfaction

Communication with customers

CTT has a significant impact on Portuguese society due to its presence throughout the entire country as well as in international markets, reaching the most remote places, its importance in

terms of employment and the production of wealth, and as a vehicle of enhancement of the competitiveness of the national business structure. CTT provides information on its website on the characteristics of its products and services as well as on its service quality aggregate performance.

CTT is a powerful platform of convenience services with a postal, financial and banking vocation, in terms of quality, efficiency and value creation, aimed at meeting the needs of citizens and economic agents. The company is an essential element of the country's social and economic development, contributing to improve the quality of life of its customers and employees, as a result of its dynamics, service-driven culture and attitude of social responsibility.

CTT is driven by the market in general and the corporate segment in particular, offering CTT brand products, which reflect the increasingly more diversified areas of its competence, from mail and business solutions, parcels and express, financial and bank services, printing and finishing, etc. Therefore, each customer is assured regular, presential and specialized attention, enabling an overall and integrated offer of services and products aimed at creating value and the potential boosting of each entrepreneurial business act. There are 212 Banco CTT branches in the entire country, providing bank services to the population and promoting a differentiated offer.

During this year, we transformed the Customer Support channels with a view to improving the customer support services and simplifying the entry channels, facilitating contact and boosting the self-care services, provided on CTT digital channels.

In the voice channel, we shifted from having 5 helplines lines to merely 3. Two helplines were created for the B2C segment and one for the B2B segment. In the B2C segment, we started to provide a Helpline for Mail and Express Services (prefix 21) and a Helpline for Payment Services (prefix 707) which includes the toll collection service and Payshop. We provided a Business Service Helpline for the B2B segment (prefix 707). We also sought to standardize the attendance schedules of the helplines in both segments.

At the same time, in the email channel, we started the phased replacement of 12 mailboxes by a single smart form on the website ctt.pt, which shall be completed in early 2021.

We received a total of 3,005,730 contacts through the Customer Support channels, corresponding to 28% overall growth, in relation to the previous year. In the voice channel, we received 1,898,423 calls, representing 63% of the total contacts received and showing growth of 33% in relation to the previous year. In the written channel, we received 1,107,307 contacts, representing 37% of the total contacts received, corresponding to growth of 19%.

The general increase of the number of contacts received reflects the COVID-19 pandemic which led to strong growth of volumes, arising from changes in consumption patterns which, in turn, boosted e-commerce purchases during the lockdown period. The fact that CTT adopted protective measures of an exceptional nature (zero contact), adapted to the state of emergency, also led to additional customer complaints such as, for example, the delivery of registered mail in the letter box without collecting the receiver’s signature, among others.

It should be highlighted that the CTT and CTT Expresso lines maintained their Stamp of Quality issued by the Portuguese Association of Contact centers (APCC) relative to the operations of the CTT and CTT Expresso Contact center, following monitoring audits conducted this year. This distinction distinguishes the best Contact center services operating in Portugal and aims to encourage companies of the sector to implement good management practices at their Contact centers, contributing to a better image and credibility of the sector and promoting their self-regulation.

Customer Satisfaction

CTT has been attentive to the social and economic consequences that the COVID-19 pandemic has caused among the Portuguese population and worldwide and has triggered various proximity initiatives that are easy to implement due to its capillarity throughout the entire country. The pandemic accelerated the adaptation of the CTT offer, which is still very much based on physical business, to the digital world.

In this regard, taking up its role in driving the economy, CTT has launched services and campaigns for local companies and entities, enabling them to safely continue the management of their activity remotely and in an increasingly digital context. Three solutions launched in this context stand out particularly, which revolutionized the way that companies have started to interact with the digital world, bringing companies and business to the online platform which, up to that time, only had a physical presence: the “Create online shops” offer, the CTT Local Trade offer and the digital fairs and showrooms.

Delivery and logistics partnerships have been established in various areas: with Hovione, the National Pharmacies Association, Uber, the Red Cross, the Portuguese Football Federation, among others.

CTT also decided to bring forward the issue of postal money orders and extend the period of pension payments, so as to foster the safety and wellbeing of Portuguese pensioners in the pandemic and state of emergency context.

These are social responsibility measures that reflect CTT’s involvement with the surrounding community, alongside its sustainability strategy.

The customer’s opinion on quality of service, expressed through satisfaction questionnaires, shows that 83% of the customers who answered the satisfaction questionnaires consider that CTT’s overall quality is good or very good, with the percentage of customers who are satisfied with the overall quality of customer service rising to 92.1%. As to queue waiting time, 76.2% expressed a positive opinion. The overall satisfaction level concerning delivery reached 79.5%, rising to 77.8% with respect to delivery time of priority mail and standing at 67% for delivery time of ordinary mail.

Some subsidiaries heard their customers, in particular: CTT Express in Spain with 75% of the end customers being satisfied with the brand; Banco CTT with 84% of its customers being very satisfied.

CTT has progressively made a considerable investment in the implementation of certified management systems in various areas. This strategic focus has contributed significantly to the consistency and quality of the services provided and optimization of the processes in the different stages of the value chain, creating strong dynamics of internal motivation, by developing and fostering employee participation, with impact on the improvement of customer satisfaction and strengthening of CTT’s image.

In the implementation of the management systems, different approaches and timings were adopted for the different areas of the company and Group. The certifications presented in the table below were successfully maintained, with CTT having ensured its migration to the Occupational Health and Safety standard ISO 45001 and extended the Certification of Postal Agencies to more units (total of 350 at the end of the year). The certifications can also be consulted at: www.ctt.pt.

Certifications Distinctions	Quality	Environment	Occupational Health and Safety	Information Security	Services CTT Points
Benchmarks	ISO 9001	ISO 14001	ISO 45001	ISO 27001 IEC	Service certification standards
Corporate CTT ⁽¹⁾	X	X	X		
Operations ⁽²⁾	X	X	X	X	
CTT Expresso	X	X	X		
CTT Contacto ⁽³⁾	X	X			
Network of Postal Agencies ⁽⁴⁾					X

(1) Corporate Certification includes the following departments/areas: People and Culture, IT, Procurement & Logistics, Physical Resources & Security, Audit & Quality / Certification and Excellence, Communication & Sustainability / Sustainability and Environment, Customer Support & Quality of Operations / Monitoring and Processes of Customer Support and B2B Commercial / Business After-sales Support.
(2) The ISO 27001 Certification is applicable to the Business Solutions (Printing and Finishing), included in the Certification of Operations.
(3) The scope of this Certification is "Management and Delivery of semi-addressed and unaddressed mail, as well as a range of logistics products and services".
(4) The Certification of CTT Points is applicable to 350 units.

Claims and inquiries

The processes relative to customer claims constitute a unique and privileged form of detecting anomalies observed in the use of CTT products and services. Accordingly, the after-sales and customer support area is responsible for disseminating the voice of the customer throughout the organization, in the search for new solutions that enable increasing the satisfaction of our customers.

Claims

	'19	'20	Δ '19/'20
Claims received ⁵⁷	374,808	428,494	14%
Claims received and answered	359,287	405,969	13%

The Mail business unit recorded, in the application supporting the handling of claims, 162,111 cases relative to customer claims about marketed services and products⁵⁸ showing a year-on-year increase of 13%.

The main motives underlying the claims are related to the perceived delay in delivery and lost items.

The main origin of the claims answered, in the international service concerning inbound mail (claims about items entered into Portugal) is China followed by Singapore and Germany. In terms of outbound mail, the main destinations of the claimed items are the USA, United Kingdom and France.

The Express & Parcels business unit recorded 266,383 cases related to claims, growing by 15% in relation to 2019. The motives of greatest impact on claims against Express & Parcels are tracing, lost items and damaged items.

Banco CTT had 313 claims in the Complaints Book, received 417 claims online and 189 were addressed to the Bank of Portugal.

During this year, 428,494 cases were submitted to the Mail and Express & Parcels business units, corresponding to a 14% increase year-on-year. This evolution reflects the COVID-19 pandemic which led to strong growth in volumes, arising from changes in consumption patterns, boosting e-commerce purchases during the lockdown period.

4.5 Natural Capital

4.5.1 Environmental management policy and systems

CTT performs a fundamental role in the Portuguese economy and society and has a clear understanding of the environmental impact induced by its activity, dedicating special attention to the mitigation of that impact. Its impacts primarily involve pollutant emissions into the atmosphere, essentially of greenhouse gas (GHG), mainly associated to its own and outsourced transport which currently account for almost all the carbon footprint (scopes 1, 2 and 3) of the Company.

Nevertheless, CTT’s activity is environmentally friendly and unaggressive in comparison to other activity sectors. CTT’s carbon intensity contributes 0.2‰ to total greenhouse gas emissions at a national level (scopes 1 and 2). This impact is very low compared to the creation of value that CTT generates in contributing 1.9‰ to national GDP (GVA/GDP).

With an active and conscious role in the defense of the environment, CTT has implemented its policies on Quality, Environment,

⁵⁷ Includes cases of claims related to the Universal and Non-Universal Service. Excluding data of CORRE and Banco CTT.
⁵⁸ Includes claims about Financial Services.

Occupational Health and Safety, Information Security, Energy and Carbon Management, Climate Change and Responsible Procurement. CTT's commitment to sustainability and to the ongoing improvement of its performance is visible throughout the entire organization and has a continuous impact on its daily operations and business model, reflecting the company's challenges and response to the needs of its stakeholders.

CTT has identified, assessed and prioritized the following most significant corporate risks that could compromise the attainment of its strategic objectives and negatively affect its sustainable growth (see Chapter 2.7. Risk Management). Three strategic and external risks were assessed and prioritized at an environmental level, associated to the frequency and severity of occurrence of extreme weather phenomena, the negative perception of CTT's image by its customers, investors and other stakeholders, with respect to its environmental reputation, and its inability to respond adequately to the emergence of new paradigms in the market, consumer requirements and new regulations and legislation. The response to these risks is based on a strategy that aims to mitigate such risks and enhance opportunities, with an impact at an operational level on brand reinforcement and reputation, value chain optimization and customer loyalty.

CTT is actively engaged in the search for and implementation of environmental, energy and carbon management initiatives, in line with the organization's priorities and goals which are on the radar of the managers and all the other employees, from the top to the bottom. Some of the recent and most relevant business decisions in the short and long term were influenced by considerations on reduction of the carbon footprint and enhancement of energy efficiency (further identified below). This is an attitude put into practice on a daily basis, by innovating in processes, in products, in technology at the service of companies, and in a variety of initiatives and support actions that generate value for the community.

At the invitation of BCSD Portugal, CTT endorsed the manifesto "Make the most of the crisis to launch a new paradigm of sustainable development", aimed at contributing to the construction of a development model based on five fundamental principles: promotion of sustainable and inclusive development, promotion of growth, search for efficiency, strengthening of resilience, and strengthening of corporate citizenship.

4.5.2 Energy

The various energy sources can be classified as renewable and non-renewable. Currently, one of the most serious environmental problems of the intensive use of non-renewable energy sources is the greenhouse effect and the consequent increased average temperature of the Earth's surface. Hence, energy management is one of the greatest challenges of current times.

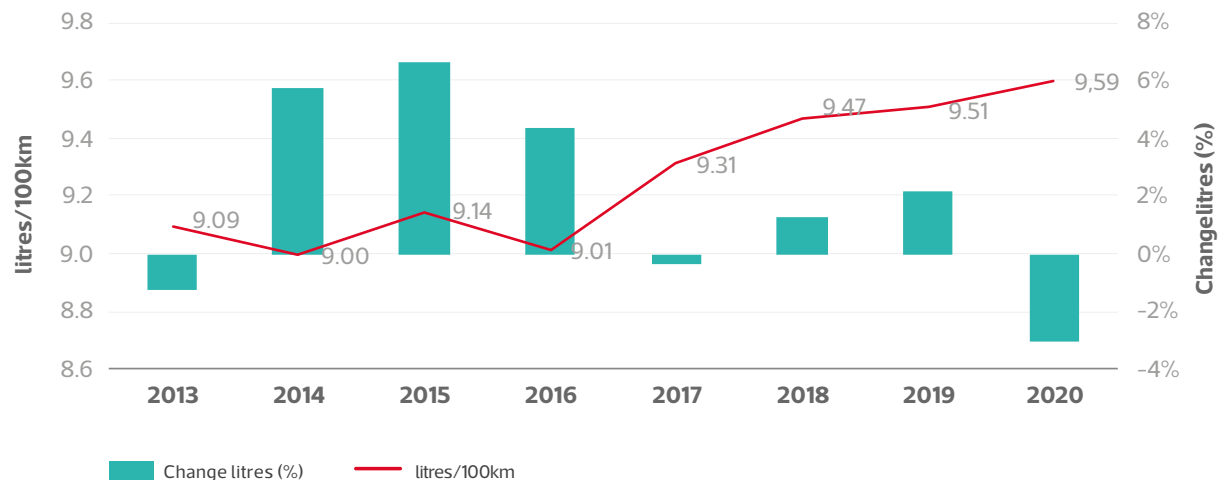
At CTT, with a significant weight in the carbon footprint, direct energy consumption accounts for around 5% of the value of the company's total external supplies and services and is a priority issue with respect to the monitoring and implementation of energy efficiency measures. The increased energy efficiency leads to direct environmental gains – each joule of energy saved is reflected in a lower production of carbon emissions – as well as in a more solid consolidated balance sheet of the company in the short and long term.

In 2020, electric energy consumption accounted for about 37% of total energy consumed. However, all consumed electrical energy comes from 100% renewable resources. CTT's annual electricity consumption fell by 7.7%, reflecting the restructuring in progress of the buildings and energy efficiency measures, but also due to the effects arising from the COVID-19 pandemic.

CTT also consumes minor amounts of power produced by the existing thermal solar panels at the Lisbon head office and at the Maia building. Thermal power is also used for air conditioning at the Lisbon head office building, in Lisbon (only building which uses this source of energy).

Fuel continues to represent CTT's main energy consumption source (61%). The overall efficiency of CTT's fleet, measured in liters/100 km, declined slightly by 0.8% in relation to 2019.

Evolution of the average consumption of the CTT fleet



Yet, there has been an increase in the size of the fleet for transport of parcels and express items due to the increased volume of e-commerce; therefore, if we adjust the real consumption to the profile of the fleet in the previous year, it is estimated that efficiency increased by around 2%. It should be noted that there has also been more activity of CTT's own operational fleet for delivery and transport (+2.52% in km and +0.71% in liters in relation to 2019), while the light passenger fleet showed lower activity, which increased the relative weight of kilometers travelled and liters consumed by the fleet of operational vehicles, in particular the light and heavy goods vehicles.

CTT energy consumption

GJ	'19	'20	Δ '20/'19
Total green electricity consumption	142,892.2	131,880.7	-7.7%
Solar panel power consumption	127.2	127.2	0.0%
Thermal power consumption	6,575.7	5,785.0	-12.8%
Total fuel consumption	231,367.0	221,577.0	-4.1%
Total gas consumption	1,058.4	1,091.9	3.2%
Total	382,020.5	360,461.9	-5.6%

There was an overall reduction in CTT's energy consumption, associated to a reduction in electricity and fuel consumption.

Total energy consumption is reflected in a energy bill of close to €13.3m.

Buildings

Reinforcing the commitment to reduce energy consumption, with direct consequences on greenhouse gas emissions, CTT

also consumed more gas, for the canteens and heating of water of some CTT buildings, with gas consumption having increased by 3.2% in relation to 2019. In the production and logistics center of the Center region, a higher number of employees allocated to the site caused a higher number of meals and baths. In the production and logistics center of the North, due to having been a colder year, more gas was consumed to keep the water above 60 degrees, a prevention measure against Legionella.

has implemented various energy efficiency and facility modernization measures. These interventions have primarily focused on the major components of the energy bills, air conditioning and lighting respectively. Follow-up was also ensured of the legal obligations applicable to CTT's buildings, concerning energy certification, covering 13 buildings. Energy Rationalization Plans were also completed at the production and logistics centers of the North and South, under the Energy Intensive Consumption Management System (SGCIE). Furthermore, a project was awarded for the monitoring of energy consump-

tion at 72 CTT facilities for the three-year period 2020-2022, with a view to identifying opportunities for improvement and action proposals. Under this project, an energy management platform has already been introduced at 38 facilities, representing 90% of the total consumption of the 72 facilities.

Operating centers and postal delivery offices

The three production and logistics centers (CPL) are the largest energy consumers, out of CTT's total number of approximately one thousand buildings, with the South and North being energy intensive consumers.

As a result of the effort to rationalize energy consumption and implement energy efficiency measures in these centers, there was an absolute reduction (-4.6%) of electricity consumption in the production and logistics center of the South.

At the North Production and Logistics center, work continued towards the optimization of the scheduling of the lighting and areas to be illuminated, the timing adjusted to the production periods of the air conditioning system and the replacement of pendant lights and self-contained units by LED lighting. There was also a substantial change in the mail sorting machines, although it is still too soon to have reliable consumption data to assess the real impact on electricity consumption. However, the main cause of the increased total consumption in relation to 2019 occurred above all during June and July due to the doors of the buildings having been kept open because of the COVID-19 pandemic, which implied higher energy expenditure to cool the interior spaces of the buildings.

At the South Production and Logistics center, the reduction was primarily due to a reformulation of mail sorting machinery, with the removal of 13 machines and installation of 4 new machines that are technologically more advanced and energy efficient.

The postal delivery offices (CDP), delivery offices (CE) and postal logistics and delivery offices (CLD) also underwent interventions, with:

- Reformulation of the lighting systems, including the installation of LED solutions in 12 facilities;
- Remodeling of 1 CLD and 3 CE with construction practices aimed at improving energy efficiency;
- Reinstallation of 1 CLD and 1 CE office with construction practices aimed at improving energy efficiency.

Administrative services building

The CTT head office, in Lisbon, is responsible for 4.5% of CTT's to-

tal consumption of energy. Monitoring and control based on advanced solutions has thus become imperative, in order to identify and optimize potential actions to reduce consumption/costs.

Particular note should be made of the fact that part of the power consumed in the building comes from renewable sources, namely thermal solar power produced for hot sanitary water.

Other buildings

Following best practice tested in previous years, 219 interventions were carried out in buildings, leading to higher energy efficiency and also contributing to reduce CTT's energy footprint.

In general terms, the following actions are noteworthy:

- Opening of 3 new post offices with the new CTT concept at new locations and reopening of 23 post offices, with construction practices aimed at improving energy efficiency;
- Interventions in access ramps at one CTT post office;
- Improvements to the air conditioning of the facilities, with the replacement of older units by equipment with a higher energy efficiency class;
- Interventions in elevators, upgrading of electrical switchboards, replacement of air compressors and review of their network.

CTT also focuses on more ecological and more efficient solutions for buildings, having installed 3 small photovoltaic production pilot plants with a power output of up to 419 kW, in 2019. This solution shall soon be extended to a further 3 facilities, and the consequent installed power to a further 281 kW.

In 2021, in addition to the small photovoltaic production plants, an investment is planned in production units for self-consumption, namely at the CTT Expresso facilities located in the MARL (Lisbon Regional Supply Market).

Charging points for electric vehicles were installed at CTT's facilities in Estarreja and at the CTT Expresso Operating center in Sacavém, due to the growing trend of expansion of the electric fleet for mail delivery.

The actions were continued in terms of replacement of computer equipment by more efficient equipment, enabling energy saving in the postal establishments.

Cutting energy consumption is essential for CTT, which annually spends around 6 million euros on electricity.

It should be noted that the measures against the COVID-19

pandemic applied at CTT had an impact in lowering the company's energy consumption. These measures include those imposed by the state of emergency from 12 March to 2 May and from 4 November to 31 December, as well as the measures in the interim period of 3 May to 3 November.

CTT Vehicles

	'19	'20	Δ '20/'19
Total vehicles in operation ⁵⁹	3,697	3,851	4%
Less pollutant vehicles	315	335	6%

CTT's total activity covered 64.0 million km travelled by its own fleet (5.7% less than in 2019), plus 65.5 million km travelled by the outsourced road fleet (5.0% more than in 2019).

As road transport is responsible for a significant part of the final energy consumed, it is crucial to develop measures aimed at the sustainability of this activity. The solutions are distributed over three areas of action: technological development, mobility management and behavioral change.

The search for economically efficient and environmentally friendly solutions has led to the acquisition of alter-

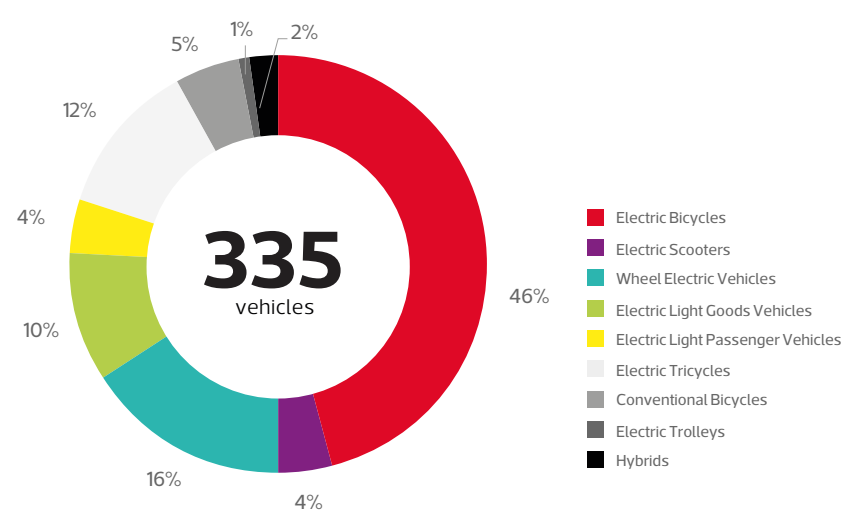
Mobility

CTT operates one of the largest and most modern fleets of national companies, composed of 3,851 vehicles under direct operation, with transport services also being outsourced to third parties. CTT's fleet includes 335 less pollutant vehicles.

native vehicles, primarily electric vehicles, which currently correspond to 9% of CTT's total fleet, comprising 335 vehicles. In the same context, the integration of conventional vehicles with increasingly more recent technological solutions not only enables optimizing operating costs but also the highest possible reduction of the negative impacts of its activity

The kilometers travelled by CTT's fleet of alternative vehicles increased by 29% in relation to 2019, not only due to the increased quantity of this type of vehicle but also due to the optimization and expansion of its activity.

Type of alternative vehicles



The following types of vehicles were operationalized in 2020, as a result of the CTT fleet renewal policy: 8 light vans of larger capacity (15 m³), 4 semi-trailer trucks, 200 motorcycles, 2 motor tricycle, 646 light vans (between 4 and 12 m³ capacity) and 14 electric vans.

Three light vans of larger capacity (16 m³) and 5 electric motorcycles were also purchased, which shall be operationalized in the first quarter of 2021.

⁵⁹ Excludes the fleet of CORRE and 321 Crédito.

It should be noted that CTT has progressively shown a change in its activity profile, with increased use of largersized vehicles as a consequence of the increased volume of express mail and parcels.

Average age of the CTT, S.A. fleet

	'18	'19	'20
Overall average age	2.3	3.1	2.7

CTT has prepared a new Plan for Rationalization of Consumption and Energy (PRCE) for its fleet, with the seal of approval of the Directorate-General for Energy and Geology (DGEG) for the three-year period of 2018-2020. In 2020, work continued to accomplish the fleet renewal plan, the optimization of the delivery route and transport, the control of supplies and maintenance of vehicles, the installation of GPS systems in the operational vehicles, and the training and awareness-raising of drivers and fleet managers on safe and efficient driving. At the end of 2019, the accumulated reduction reached 6.2% (gep/vehicle.km), corresponding to a reduction of 421,363 liters (higher than the legally required 3.3%). The final information for 2020 is not yet available. However, it is expected that its evolution should be similar to that of the two previous years, with a reduction of around 280,000 liters of fuel.

In 2019, the delivery operational fleet was subject to 30 monitoring actions onsite, carried out by CTT technical personnel, to raise the drivers' awareness on care and best practice in fleet use and maintenance. Due to the COVID-19 pandemic, these actions were suspended in 2020, with their resumption being expected as soon as this proves feasible.

In pursuing its focus on vehicles with alternative motorization, that are less pollutant and more sustainable, pilot tests were conducted with different electric vehicles in operational contexts: bicycles, cargo-bikes, motor tricycles and goods vans. All these vehicles, due to being electric, are characterized by the fact that they do not emit greenhouse gases during their use, they are silent and also easier to drive (no gearbox). They contribute to reducing CTT's ecological footprint and mitigate the risk of conventional vehicle restrictions to movements in urban/historical zones. This assessment is essential for future options for the increase of CTT's electric fleet.

In 2020, CTT launched a Green Deliveries service, in response to the search for less pollutant and more carbon neutral solutions by its business customers. This service now allows the end customers to receive their parcels by CTT electric vehicles in the city of Lisbon, for the contracted locations.

For CTT's electric fleet, a pilot project for electric mobility was

The overall average age of the fleet of CTT, S.A. decreased in relation to the previous year, and currently stands at 2.7 years.

also started in 2020, with a logic of management, monitoring and control of the entire operation, aimed at contributing to an effective cost reduction and higher operational efficiency.

CTT organized the Portugal Drivers' Challenge edition in 2019, hosting 17 participant teams nationwide, at the Production and Logistics Center in Taveiro, Coimbra. This event is part of the IPC Sustainability Program and aims to distinguish best practice in the postal sector concerning reduction of consumption and CO₂ emissions, road safety and quality of service to the customer, among other aspects. The winning team of the national contest (Penafiel Delivery office) shall represent CTT at the international final of the IPC Drivers' Challenge, which shall be held in the Netherlands, initially planned for 2020, but postponed as a result of the pandemic, and with the date still being open to confirmation.

Under the Road Safety program, CTT reduced its road-related accidents by 9.1%, in relation to 2019 (workrelated accidents and material damage), with a total of 28.6 accidents per million km travelled. Since this program started in 2015, road-related absenteeism has fallen by 47,690 days, despite the annual increase observed in occupational accidents (15.6% more).

CTT joined the Christmas 2019 and New Year 2020 road prevention campaigns, promoted by the National Road Safety Authority, aimed at raising awareness on safe driving. Nevertheless, this has always been a habitual topic of focus and importance for CTT, in view of the size of the fleet and the large number of employees who travel the country's roads on a daily basis. CTT's Road Prevention Program covers all aspects in which human intervention can exert a positive influence, paying special attention to the training and awareness-raising of all the employees. In this regard, inhouse training and awareness-raising actions were promoted, involving a total of more than 5,500 participations, including all kinds of actions (awareness-raising, practical training of driving and training for senior managers).

CTT also joined the ROADPOL Safety Days, an initiative that seeks to reduce the number of traffic-related deaths per day in Europe to zero, on at least one day of the year. Portugal is among the 16 countries that achieved this goal in 2020. In this context and in celebration of a day without road deaths, CTT organized actions

about this topic and concern, which involved the participation of close to 60 services, the majority of which in postal delivery offices, but also in operational centers. About 600 directors, managers responsible for operations and employees of different areas of CTT signed their individual commitment to Road Safety.

CTT once again took part in the European Mobility Week, this an occasion that has been commemorated for various years to reiterate its commitment to values related to the environment and corporate civic participation in the context of soft mobility. In 2020, in the pandemic context, the CTT program included a communication and awareness-raising plan which included games and tips. During this week, CTT invited all the employees to reflect on their mobility habits and find more responsible solutions, such as alternative transport and/or sharing lifts.

In 2020, follow-up was given to the actions foreseen to be accomplished by CTT under the Business Mobility Deal for the City of Lisbon, which CTT signed in 2019, at the invitation of Lisbon City Council, the World Business Council for Sustainable Development (WBCSD) and BCSCD Portugal. This is a public, voluntary, free of charge and collaborative agreement between Lisbon City Council and a group of 55 companies and institutions, aimed at actively improving mobility in the city of Lisbon, through the development of more ecological, safe and efficient mobility actions. The endorsement of this agreement publicly reinforces CTT's commitment to sustainable mobility and carbon management, in a continuous attitude of engagement, transparency and commitment.

CTT carbon emissions

t CO ₂	'19	'20	Δ '20/'19
Direct emissions – Scope 1	16,491.0	15,798.4	-4.2%
Indirect emissions – Scope 2	190.1	165.8	-12.8%
Indirect emissions – Scope 3	45,703.3	44,584.8	-2.4%
Total emissions (Scopes 1, 2 and 3)	62,384.5	60,549.0	-2.9%

Direct emissions (scope 1) decreased, as a result of the lower fuel consumption by CTT's own fleet (previously referred to in the

sub-chapter Energy).

Direct atmospheric emissions of CTT (tons)

Greenhouse gas emissions(t CO ₂)	'19	'20	Δ '20/'19
Fleet ⁶⁰	16,426.4	15,731.6	-4.2%
Gas	64.6	66.8	3.4%
Total direct emissions (scope 1)	16,491.0	15,798.4	-4.2%
Other pollutants and GHG (t)			
NO _x	178.3	175.2	-1.7%
SO _x	47.0	45.2	-4.0%
CH ₄ and N ₂ O	79.1	70.5	-10.9%

⁶⁰Excludes the fleet of CORRE and 321 Crédito service.

Indirect emissions arise from the electric and thermal energy consumed in buildings, as well as other indirect consumption that occurs along the value chain. These include emissions derived from outsourced road, air and sea transport, delivery by postmen on motorcycles and journeys between home and the workplace (commuting).

By acquiring green electricity for 100% of its consumption since 2015, the carbon emissions derived from CTT's electricity con-

Indirect atmospheric emissions from electricity and thermal power consumption by CTT

t CO ₂ ⁶¹	'19	'20	Δ '20/'19
Electricity consumption	0	0	0.0%
Thermal power consumption	190.1	165.8	-12.8%
Total indirect emissions (Scope 2)	190.1	165.8	-12.8%

There was increased activity of the outsourced road fleet (+5.0% of the distance travelled), with direct impact on the associated carbon emissions.

The emissions resulting from the air transport of mail, express & parcels products registered an increase relative to the previous year. Even though the COVID-19 pandemic caused a reduction in the number of flights, and CTT having recurred to less air mileage, an increase on the weight of postal volumes had a direct impact on emissions. It is worth noting that there was some transfer of volumes via sea routes in order to minimize the negative effects experienced by CTT customers. Part of the international postal volumes was also diverted to road transport.

Other indirect atmospheric emissions

t CO ₂	'19	'20	Δ '20/'19
Air transport	11,696.7	11,762.2	0.6%
Sea transport	56.6	105.9	87.0%
Road transport by outsourced fleet ⁶²	25,523.8	27,320.4	7.0%
Delivery by postmen on motorcycles	2,141.3	2,459.2	14.8%
Air and rail travel on company business ⁶³	7.0	0.6	-91.6%
Commuting	6,278.0	2,936.6	-53.2%
Total outsourced transport (Scope 3)	45,703.3	44,584.9	-2.4%

sumption are reported as zero based on the specific carbon content of the electricity supplier (market-based approach). By evaluating the total carbon footprint based on the national energy mix (locationbased approach), it is found that the acquisition of energy corresponds to approximately 13.06 kt CO₂ per year. Thus, the acquisition of green energy influences CTT's total carbon footprint, as well as its performance in relation to the adopted carbon reduction targets.

The emissions arising from commuting by the employees also fell considerably as a result of the measures to fight against the COVID-19 pandemic applied at CTT. These measures include those imposed by the state of emergency from 12 March to 2 May and from 4 November to 31 December, as well as the measures in the interim period of 3 May to 3 November.

The carbon emissions arising from business travel abroad declined drastically, primarily due to the restrictions to movement in the pandemic context, but also due to the continuation given to meetings held by audio/videoconference.

Considering direct (scope 1) and indirect (scope 2) carbon emissions, the carbon incorporation of each postal item is 16.0g of CO₂, corresponding to an increase of 14.0% year-on-year. This deterioration was due to the reduction of total postal volumes having been greater than the reduction of fuel consumption. Incorporating scope 3 emissions, there was a 15.8% increase, associated to the factors presented above.

Climate change

CTT considers that the combat of climate change is an increasingly important topic for society and for companies and has been pursuing a long journey of promoting and supporting energy transition.

CTT has been experiencing increasing pressure from customers to seek less polluting or carbon-neutral solutions. CTT anticipated this trend with the launch of green mail in 2010 and currently the Express offer in Portugal is also carbon neutral, with no added costs for customers. Overall, the carbon neutral offer represents 17.4% of CTT's total revenues.

We joined the United Nations Global Compact initiative "Business Ambition for 1.5°C", aimed at contributing to halt global warming and limit the increase of the global average temperature below 1.5°C. In this regard, CTT is part of a group of merely 576 companies in the entire world with ambitious targets to reduce carbon emissions approved, on the present date, by the Science Based Target Initiative (SBTi). CTT is committed to reducing absolute emissions by 30% by 2025 in relation to 2013 and emissions by letter or parcel by 20% over the same period.

The postal sector has implemented its own sustainability and carbon management program since 2008, promoted by IPC - International Post Corporation. The sector reached its proposed carbon reduction targets for 2020 ahead of time, and the working party moved forward to a new sustainability program, the Sustainability Monitoring and Measurement System (SMMS). This program is aligned with the 5 United Nations Sustainable Development Goals considered to be of most relevance to the postal sector, and now focuses on 7 areas of intervention: health and safety (SDG 8), learning

and development (SDG 8), efficient use of resources (SDG 9), climate change (SDG 13), quality of the air (SDG 11), the circular economy (SDG 11) and sustainable procurement (SDG 12). CTT was ranked in 2nd place at a worldwide level, among nineteen participants of the postal sector across the world, reflecting CTT's proficiency in the different areas of intervention addressed.

For the second year consecutively, CTT participated in the Green Postal Day, promoted by IPC, together with 14 other worldwide postal operators. This initiative aims to mark the positive results of the collective effort that postal operators worldwide have been putting into practice to counter climate change and reduce their carbon emissions.

CTT was distinguished at the highest level of Leadership in the category of Climate Change, with an A grade in the Carbon Disclosure Project (CDP) rating, the capital market index that is the main rating of energy and carbon sustainability at a worldwide level.

CTT also endorsed the Lisbon Green Capital Commitment 2020 - Lisbon 2030 Climate Action, at the invitation of Lisbon City Council and BCSD Portugal, which seeks to ensure the contribution of the different economic agents in the achievement of the goals and targets defined under the Action Plan for Sustainable Energies and the Climate and fosters a new vision of the city of Lisbon with a view to carbon neutrality by 2050. To this end, CTT submitted 14 measures in the following categories, aimed at improving the company's environmental performance: energy, mobility, water, circular economy and citizenship, and participation.

Under the identification and assessment of impacts derived from climate phenomena, with implications in terms of costs and operations, 5 events occurred, in particular winter storms and snowfalls. It is estimated that these events had an impact of €18k in operational terms and €1.2k in terms of work potential.

CTT adopts the following formulation of principles on these matters:

Policy on Energy and Carbon Management and Climate Change

- Creation of value for the business, and likewise generating value for society;
- Improvement of the energy efficiency of equipment, facilities, fleet and product design, with a view to continuous improvement of performance;
- Provision of information and resources, in order to achieve the established objectives and targets;
- Respect for the legal and regulatory framework in force and other commitments which the company endorses;
- Active involvement with partners, employees, customers, community and all other stakeholders aimed at the dissemination and promotion of these principles.

⁶¹Excludes CORRE and 321 Crédito service.
⁶²Excludes CORRE, Transporta and 321 Crédito service.
⁶³Only Includes international travel of CTT, S.A.

4.5.4 Consumption, waste and biodiversity

Water

Postal activity is not particularly intensive in its water consumption, although water constitutes a resource for the daily operation of the facilities, namely for human consumption, irrigation or occasional situations of vehicle washing and use in air conditioning equipment.

There was a reduction in water consumption, strongly influ-

CTT Water Consumption

	'19	'20	Δ '20/'19
Consumption (m³) ⁶⁴	40,856.3	31,680.5	-35.0%

Consumption of materials

Although CTT's activity involves very little incorporation of intermediate or final materials in its supply process, priority has been given to their reduction.

Approximately 3,434.2 tons of consumption⁶⁵ of materials were recorded this year, corresponding to an increase of 8.9% year-on-year. In the total figures, the most representative consumption items are paper and plastic, accounting for 72.2% and 20.0% respectively. The recorded increase is associated to the consumption of plastic and wood, as a result of the operational changes related to COVID-19.

It should also be highlighted that from March onwards the COVID-19 factor generated a widespread saving of all the other consumables, such as paper and toner, as a result of the shifting of various more administrative areas to a telework arrangement.

The incorporation of recycled material sin products currently represents 6.2%.

The implementation of actions aimed at decreasing the consumption of consumables and the dematerialization of procedures by digital models continued, with the online

enced by the lockdown and employee safety measures put in place to combat the COVID-19 pandemic. In addition to this, the measures that have been progressively implement- ed to rationalize consumption may also have had an impact on this figure. The practice of reducing the number of times that vehicles are washed was maintained during this year.

CTT monitors the information in real time on the consumption of network water using telemetering, for the buildings of the Lisbon region, with a view to optimizing water consumption and costs.

The total cost related to water consumption at CTT represents €246.2k.

subscription of forms instead of pre-printed forms, as well as the digital filing of the generated case-files, namely in the operational areas. With regard to this innovation, special reference is made to the cash-on-delivery service, for prepaid items, in which the invoices are sent.

Information and awareness-raising actions to minimize the consumption of materials were also directed at the employees, through the internal means of communication. In this regard, we highlight CTT's distinction as a final runner-up in the APCE Grand Award 2020, with the campaign "Even Better Than Recycling is Not Actually Using". This campaign aimed to raise awareness and stimulate an inhouse change of attitude with a view to reducing the consumption of printouts. The positive effects of the campaignenabledachievinga9%reductioninthe total number of printed sheets, equivalent to two hundred reams of paper.

Waste

Continuing the internal management practice and final sending of waste to the most suitable destination, recovery solutions, instead of sending waste to landfills, are given priority. This year, there was an increase in the annual quantity of waste produced, and of the total recovery rate which reached 97.9%, arising from the write-off of obsolete equipment and the cancellation of physical campaigns due to the COVID-19 pandemic.

Waste

	'19	'20	Δ '20/'19	Destino
Paper and cardboard	595.5	1,212.7	103.6%	Recovery
Plastic	143.8	222.4	54.7%	Recovery
Wooden pallets	209.9	532.0	153.5%	Recovery
Undifferentiated waste	191.9	236.6	23.3%	Recovery/Disposal
Other	156.2	230.2	47.4%	Recovery/Disposal
National Total	1,297.3	2,433.8	87.6%	

Waste by hazard level and destination ⁶⁶

Tons	Recovery	Disposal	Total
Hazardous waste	18.7	16.1	34.8
Non-hazardous waste	2,364.7	34.3	2,399.0
Total	2,383.4	50.4	2,433.8

CTT has progressively developed processes of reverse lo- gistics with its customers and partners, in order to max- imize the network occupation through the return trans- port of materials, which leads to benefits in terms of the efficiency of CTT's transport and logistics and cost-cutting.

Projects have also been promoted in the field of the circu- lar economy directed at CTT's customers, aimed at foster- ing a more efficient management of the natural resources used and prolonging the useful life of the products.

In this context, CTT signed an agreement with *Elec- trão* for collection of electrical and electronic equipment waste, used batteries and their dispatch for recycling.

Biodiversity

CTT pays special attention to the mitigation of its impacts, al- beit indirect, on biodiversity. The fact that a significant part of CTT's business is based on communication on paper, makes this a relevant topic for the company. Therefore, while not considered a critical topic, the company manages its im- pacts on biodiversity in an active manner, focusing on the use of paper derived from sustainable forests and on promoting the use of certified paper in its products and services.

Mail solutions prioritize the more sustainable options, espe- cially in terms of selection of the materials to be used. It should be highlighted that the CTT large envelopes and boxes and the "Green"Mail offer have Forest Stewardship Council (FSC) certi- fication.

CTT signed the "Act4nature" commitment, an initiative pro- moted by BCSD Portugal, aimed at encouraging companies to protect, promote and restore biodiversity, contributing to the reversal of its loss. To this end, CTT endorsed the 10 Com- mon Commitments which are aligned with its sustainability program and a set of individual commitments focused on on- going awareness-raising and communication, internal and external, on the topic of preservation of biodiversity and en- couraging the sustainable use of natural resources.

For the 7th consecutive year, another edition of the initiative "A tree for the forest" was launched, within the scope of the partner- ship between CTT and Quercus. This campaign aims to restore the forest of some zones of the country with indigenous species, namely protected areas, classified areas and national forests at high risk of fire or more affected by forest fires. The 2020 edi- tion featured the sale of a new kit, with *fraxinus angustifolia*, also known as the Portuguese narrow-leafed ash, at CTT post offices countrywide and on CTT's online store, which is available until the launch of the next edition. Up to date, more than 90k trees have been planted, with the collaboration of hundreds of volun- teers, outside the company, who joined this initiative.

CTT was once again a partner of the Portuguese government in "Portugal Chama" (or Portugal is Calling where 'chama' means both 'calling' and 'up in flames'), the campaign to raise aware- ness and prevention of forest fires nationwide, being part of a group of 25 companies committed to this cause. In this regard, a series of contents were disclosed to its employees and custom- ers, warning them of the need to avoid risky behavior and curtail ignitions causing fire.

⁶⁴ Among the subsidiaries, the water consumption of CORRE and 321 Crédito is not included.
⁶⁵ The reported figures were obtained via analysis of the acquisitions made through the e-procurement electronic system. The gradual expansion and improvements intro- duced to the accounting process regarding the consumption of materials have enabled the inclusion of more products and the identification of different types of materials.

⁶⁶ The amount of waste does not include CORRE or Transporta.

The launch of various collectable stamp issues on environmental matters included, in 2020, the publication of 2 stamp issues dedicated to the topics of “Indigenous Breeds” (3rd edition) and “International Year of Plant Health”, involving a total of 1.03 million philatelic items.

Training and Awareness-Raising

CTT has regularly developed, both internally and externally, a large number of awareness-raising initiatives aimed at boosting knowledge on the matter, disseminating good practices by the employees and all other stakeholders, and drawing attention to certain environmental aspects, such as the conservation of resources, the protection of nature and the need for eco-efficiency, among other issues.

Various articles and contents of an environmental and social nature were published in the magazine Revista CTT, which also includes a section dedicated to Road Prevention, with an inhouse circulation of close to 21k copies per edition, aimed at raising the awareness of the employees. Likewise, environmental contents were also broadcast on the inhouse broadcasting channel CTT TV, at the head office building.

Reference is made to the inhouse celebration of thematic days throughout the year, which involved various games for the employees and their families, namely World Earth Day, National Energy Day, International Biodiversity Day, World Nature Conservation Day, European Car-Free Day, and European Day Without a Road Death (EDWARD). Tips and suggestions on small daily habits that we can all adopt aimed at protecting the environment and biodiversity were also publicized and, an awareness-raising action was carried out during the Christmas season with tips on sustainable gift wrapping.

The internal communication network (intranet), a point of connection for all CTT personnel, discloses CTT’s sustainability policies and commitments, its performance and initiatives undertaken with a view to environmental protection and social integration. The dissemination of e-newsletters continued, with sustainability contents directed at the employees of the operational areas.

An internal webinar was also conducted about the theme of “The effects of plastic on the environment and in health”, with a view to raising the awareness of the employees on the harmful consequences of microplastics and the use of plastic, a relevant topic during current times.

At an external level, CTT regularly shares news items on sustainability, through its Facebook page – Esfera CTT, which currently has over 48k fans. CTT is also present on the social networks Linkedin and Instagram, which has more than 76.5k followers. In 2020, a competition “A Tree for the

Forest 2020” was launched on Instagram, that reached more than 10.8k users with more than 50 participations.

Moreover, articles were also published about CTT’s sustainability program on the websites of Marketeer, Executive Digest and the digital platform ECO – Capital Verde. CTT also conveyed information to its customers in this sphere through the TV channel of its post offices network at a national level.

The joint action of CTT and two associations of the paper industry launched the campaign “Keep Me Posted – The Citizen’s Right to Choose”, replicating the European campaign with the same name in our country. This campaign promotes the citizens’ right to choose the way they want to receive their information (such as accounts and statements from service providers) – on paper or digital, or both – without any penalization, extra cost or imposition. To this end, posters were displayed, and leaflets were provided at CTT post offices and postal agencies which aroused the interest of the customers, with the campaign having been disseminated on the social networks and the Portuguese website “Keep Me Posted” launched.

CTT once again sponsored the “Smart Cities” initiative that organized a series of conferences and showcases of some of the most advanced solutions for urban sustainability and disclosed various initiatives that seek to make Portuguese cities smarter and more sustainable. Reference is made to CTT’s participation in the “Smart Cities Tour 2020”, in which a series of sustainability initiatives implemented by CTT, the CTT Green Deliveries service and the CTT green mail offer were presented. CTT also participated in the “Green Fest”, being in the panel of speakers and presenting the topic of “Sustainability in CTT’s Value Chain”, in the BCSD Portugal working party on “Carbon Neutrality”, under which it presented a pitch on “Electric Vehicle Batteries”, and in the online event of the Act4Nature Portugal – Companies for Biodiversity Program, which included the publication and dissemination of CTT’s commitments, among a group of other companies joining this event.

Environmental Investment

In 2020, total environmental investment amounted to approximately €3.4m. In terms of the distribution of the investment, the majority took place at CTT S.A., with a significant focus on fleet renewal, aiming to improve CTT’s overall performance.

Environmental investment

(€ 1000) ⁶⁷	'19	'20	Δ '20/'19
Maintenance, Conservation of Buildings	82.47	431.0	422.6%
Renewal of the Conventional Fleet	1,243.8	2,719.1	118.6%
Environmental Reporting, Partnerships, Events and Sponsorships	121.0	86.4	-28.5%
Information Technology Equipment	742.4	71.7	-90.3%
Renewal of the Electric Fleet	0.0	72.9	-
Certifications and Legal Compliance	40.6	35.6	- 12.3%
Energy and Carbon Management	88.8	27.9	-68.0%
National Total	2,319.0	3,444.7	48.6%

⁶⁶ Excludes CORRE and 321 Crédito service.

⁶⁷ Excludes CORRE and 321 Crédito service.